



Minutes
Rapid City Infrastructure Development Partnership Review Committee
September 10, 2002

Members Present: Mayor Jerry Munson, Mel Dreyer, Alan Hanks, Ron Kroeger, Martha Rodriguez, Jeff Hoffmann, Dan Bjerke, Marcia Elkins, Jim Preston

Others Present: Phil Olsen, Sharlene Mitchell, Randy Nelson

Elkins called the meeting to order at 8:03 a.m.

Olsen provided an overview of the request for an Infrastructure Development loan for the purpose of extending water service west on Dyess Avenue and north to Seger Drive. Olsen noted the existing businesses that would benefit from the extended water services.

In response to a question from Preston, Olsen identified the proposed water line alignment from the Visitor Information Center to its terminus at the Northstar Subdivision on Seger Drive. Olsen requested a loan for \$345,000 with the City funding the \$180,000 in oversize costs. Olsen indicated that the proposed water line size would be sufficient to address future area growth. Olsen requested approval of a 10 year loan with years 1-5 being interest free.

Discussion followed regarding the location of the existing water line and the layout of the proposed extension with regard to the location of the Northstar Subdivision.

Olsen indicated that the Heartland Development Group will guarantee the loan regardless of the participation of the affected landowners and requested that connection fees be directed to loan repayment. Olsen indicated that Heartland would be responsible for securing the right-of-way access across the affected properties.

Elkins reviewed the prior Infrastructure Development request for water service and the subsequent review of Tax Increment Financing noting that the TIF program does not provide a viable alternative for the development proposal. In response to a question from Dreyer, Elkins indicated that the proposed water line development does not involve the Tlustos property.

Hanks requested clarification of the loan repayment structure with Heartland providing security for the non-participating landowners. Discussion followed regarding the utilization of connection fees for loan repayment.

Bjerke indicated that the proposal would be for a ten year loan with years 1-5 being interest free and interest for years 6-10 being at 1% over prime with Heartland responsible for loan repayment in ten years. He indicated that the connection fees would be utilized for loan repayment. Bjerke indicated that a 14 inch water line would be installed. In response to a question from Hanks, Bjerke clarified that the connection fees are a flat fee with no inflation factor.

Preston provided a breakdown of the current projects and funding commitments of the Infrastructure Development program. The Committee requested that staff review the funding commitments approved for the Infrastructure Development program.



Preston clarified that Infrastructure Development loans are repaid to the Capital Improvement fund requiring reallocation to IDPF. Discussion followed regarding establishment of a set allocation for the Infrastructure Development program.

Nelson addressed the request received from a landowner for an assessed sewer project on Highway 79 suggesting that the IDPF allocation for that project could be reallocated. Discussion followed regarding the sewer project and area drainage issues.

Dreyer expressed support for reallocating funds from another IDPF project. Discussion followed regarding the unresolved issues associated with the Elm Street and Fifth Street projects. Munson commented on the status of the Elm Street and Fifth Street projects and the possibility of postponing the funding for these projects pending resolution of the various issues.

Olsen stated that the Heartland Development Group would secure the loan. He addressed the development needs and opportunities of the project. Olsen outlined the project's benefits to the City in terms of development and infrastructure connections and the impact an assessed project would have on development.

Rodriguez commented on the manner in which Capital Improvement Program projects are reprioritized and funding reallocated. She recommended funding those projects which are ready for construction. She voiced support for the proposal noting the increased value of commercially developed land versus residentially developed land. Hanks briefly reviewed the various funding resources from which the proposed project could be funded.

In response to a question from Munson, Olsen assured the Committee that the Heartland Development Group would be responsible for contacting the affected landowners regarding their participation in the loan and securing the loan.

Discussion followed regarding reallocation of the Elm Street funding to the Heartland project. Bjerke voiced support for the project noting the interest from existing businesses in securing water service.

Bjerke moved to recommend approval of an Infrastructure Development loan in the amount of \$525,000 for the extension of water service on future Mall Drive, Dyess Avenue and Seger Drive as outlined by the Heartland Development Group with the project funding to be reallocated from the Fifth Street IDPF project. Rodriguez seconded the motion.

Olsen clarified that the funding request from IDPF is \$345,000 with the balance of \$180,000 for oversized costs being funded by the City. Olsen indicated that the Northstar Subdivision would be dry sewered.

Hoffmann requested clarification of the financial security to be provided by Heartland should the proposed connection fees not be paid. Elkins indicated that the City has previously required a promissory note from the landowners.

Nelson recommended that the loan amount include a 10% project contingency and \$59,600 for recovery of the design and inspection fees.



Bjerke accepted a friendly amendment to recommend approval of an Infrastructure Development loan in the amount of \$410,000 for the extension of water service on future Mall Drive, Dyess Avenue and Seger Drive as outlined by the Heartland Development Group, design and inspection fee recovery and project contingency; with \$180,000 in oversize costs being funded from water enterprise funds; and, with the project funding to be reallocated from the Fifth Street IDPF project. Rodriguez concurred with the friendly amendment.

Olsen briefly addressed Hoffmann's financial surety concerns noting that the Red Rocks agreement was executed by their Limited Liability Corporation.

In response to a question from Preston, Nelson indicated that Engineering would provide a recommendation on the connection fee structure but that the City Council would establish the fees. Discussion followed regarding the manner in which connection fee rates are established. Bjerke indicated that the fee structure is based on actual project costs upon project completion. Olsen indicated that Heartland would also be paying connection fees. Discussion followed regarding establishing a specific term for the repayment of the connection fees to Heartland.

In response to Hanks, Olsen indicated that Heartland would prefer to plat the land and have loan repayment occur upon connection to water service. Discussion followed regarding the structure of the repayment agreement and the IDPF program guidelines requiring repayment at time of platting. Discussion followed regarding the ability to track connection fee payment.

Bjerke accepted a second friendly amendment to recommend approval of an Infrastructure Development loan in the amount of \$410,000 for:

- a. the extension of water service on future Mall Drive, Dyess Avenue and Seger Drive as outlined by the Heartland Development Group including design and inspection fee recovery and project contingency;**
- b. \$180,000 in oversize costs to be funded from Water Enterprise funds;**
- c. project funding to be reallocated from the Fifth Street Infrastructure Development Partnership Fund project;**
- d. repayment to be made upon first transfer of the property with the connection to water services utilized as a secondary check to assure loan repayment; and,**
- e. that approval is contingent upon legal counsel review and approval of the loan repayment mechanism.**

Rodriguez concurred with the friendly amendment.

Discussion followed regarding the City utilizing a lien/mortgage position against the property to guarantee loan repayment at time of first transfer, legal counsel review and the schedule for presenting the request to the City Council.

Hanks clarified that Heartland is responsible for securing the necessary right-of-way easements.

The motion to recommend approval of an Infrastructure Development loan in the amount of \$410,000 for:

- a. the extension of water service on future Mall Drive, Dyess Avenue and Seger Drive as outlined by the Heartland Development Group including design and inspection fee recovery and project contingency;**
- b. \$180,000 in oversize costs to be funded from Water Enterprise funds;**



- c. **project funding to be reallocated from the Fifth Street Infrastructure Development Partnership Fund project;**
- d. **repayment to be made upon first transfer of the property with the connection to water services utilized as a secondary check to assure loan repayment; and,**
- e. **that approval is contingent upon legal counsel review and approval of the loan repayment mechanism.**

carried.

Approval of Minutes

Rodriguez moved, Bjerke seconded and carried to approve the minutes of the February 16, 2001, October 2, 2001 and July 11, 2002 meetings.

There being no further business the meeting was adjourned at 9:20 a.m.